

**REPORT OF THE AUDIT OF
CAMPBELL COUNTY
CLERK**

**For The Year Ended
December 31, 2006**

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS.....	4
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS	7
NOTES TO THE FINANCIAL STATEMENTS.....	9
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	13
COMMENTS AND RECOMMENDATIONS	16

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

The Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Campbell County, Kentucky and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2006. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2007, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The County Clerk Should Have Stronger Controls Over Voided Checks
- The County Clerk Should Avoid Paying Sales Taxes

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Campbell County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC
Certified Public Accountants

May 3, 2007

**CAMPBELL COUNTY CLERK
STATEMENT OF REVENUES, AND EXPENDITURES – REGULATORY BASIS**

December 31, 2006

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Fees For Services		\$	42,649
Fiscal Court			121,803
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,546,828	
Usage Tax		6,873,332	
Tangible Personal Property Tax		7,094,739	
Other-			
Marriage Licenses		23,940	
Deed Transfer Tax		395,620	
Delinquent Taxes		695,750	16,630,209
			<hr/>
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	47,205	
Real Estate Mortgages		89,857	
Chattel Mortgages and Financing Statements		141,230	
Powers of Attorney		3,817	
Lien Fees		25,164	
Refunds		109,895	
Miscellaneous Services		79,152	
All Other Recordings		293,063	
Charges for Other Services-			
Notaries		20,978	
Copywork		86,207	896,568
			<hr/>
Other:			
Leases	\$	355	
Miscellaneous		692	
Postage		41,690	
Bail Bonds		792	43,529
			<hr/>
Interest Earned			5,868
			<hr/>
Total Revenues		\$	<u>17,740,626</u>

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,164,992	
Usage Tax	6,661,182	
Tangible Personal Property Tax	2,080,493	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	55,542	
Delinquent Tax	93,113	
Legal Process Tax	63,185	\$ 10,118,507

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 557,834	
Delinquent Tax	77,775	
Deed Transfer Tax	375,839	1,011,448

Payments to Other Districts:

Tangible Personal Property Tax	\$ 4,162,288	
Delinquent Tax	353,727	4,516,015

Payments to Sheriff 3,922

Payments to County Attorney 106,195

Refunds 134,401

Payroll Reimbursements 117,800

Total Expenditures \$ 16,008,288

Net Revenues \$ 1,732,338

Payments to State Treasurer:

75% Operating Fund	\$ 1,275,459	
25% County Fund	456,879	1,732,338

Balance Due at Completion of Audit \$ (0)

The accompanying notes are an integral part of the financial statements.

**CAMPBELL COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES
OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER – REGULATORY BASIS**

December 31, 2006

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2006

	75% Operating Fund	25% County Fund	Totals
	<hr/>	<hr/>	<hr/>
Fund Balance - January 1, 2006 (Restated)	\$ 212,985	\$	\$ 212,985
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,275,459		1,275,459
Fees Paid to State - County Funds (25%)		456,879	456,879
	<hr/>	<hr/>	<hr/>
Total Funds Available	1,488,444	456,879	1,945,323
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Campbell County Fiscal Court	\$ 0	\$ 456,879	\$ 456,879
Personnel Services-			
Official's Statutory Maximum	89,153		89,153
Official's Training Incentive	3,302		3,302
Official's Expense Allowance	3,600		3,600
Deputies' Salaries	593,578		593,578
Part-Time Salaries	20,804		20,804
Overtime	50,536		50,536
Employee Benefits-			
Employer's Share Social Security	57,849		57,849
Employer's Share Retirement	95,901		95,901
Employer's Paid Health Insurance	105,645		105,645
Other Payroll Expenditures	8,452		8,452
Contracted Services-			
Advertising	14,571		14,571
Printing and Binding	38,979		38,979

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
 JACK SNODGRASS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
 For The Year Ended December 31, 2006
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Materials and Supplies-			
Office Supplies	\$ 44,586	\$ 0	\$ 44,586
Other Charges-			
Conventions and Travel	24,576		24,576
Telephone	2,134		2,134
Delivery	17,851		17,851
Copier	425		425
Equipment	28,577		28,577
Computer Services	88,762		88,762
Insurance	23,468		23,468
Maintenance and Repairs	21,322		21,322
Miscellaneous	61,239		61,239
Postage	29,783		29,783
Capital Outlay-			
Office Equipment	63,351		63,351
Total Expenditures	\$ 1,488,444	\$ 456,879	\$ 1,945,323
Fund Balance - December 31, 2006	\$ 0	\$ 0	\$ 0

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2006

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Note 3. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$26,750. The beginning balance was \$27,738. Interest was earned in the amount of \$249. Expenditures during the year were \$20,000. The grant account balance was \$7,987 as of December 31, 2006.

Note 5. Bond Account

The County Clerk maintains a separate bank account for the receipt and disbursement of mechanic's bonds. The beginning balance was \$2,883. Interest earned was \$10. There was no activity with the mechanic's bonds during the year. The account had a balance of \$2,893 at December 31, 2006.

Note 6. Delinquent Tax Account

The County Clerk maintains an account for delinquent tax refunds and overpayments. The beginning balance was \$14,369. Interest was earned in the amount of \$67. During the year \$7,049 was expended and deposits totaled \$3,118. The delinquent tax account had a balance of \$10,505 at December 31, 2006.

Note 7. Reimbursed Expenses

The amount deposited in the County Clerk's Operating Fund (75%) with the state treasurer included reimbursed expenses. These reimbursed expenses include payments from the state and county. The following were reimbursed expenses, which are credited 100% to the County Clerk's Operating Fund.

Category	Amount
Payroll Reimbursements	\$ 117,800
100% Fees	121,456
Total Reimbursements	<u>\$ 239,256</u>

Note 8. Prior Period Adjustments

The beginning fund balance was increased \$13,812 to account for correction of errors made in the prior year.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

The Honorable Steven Pendery, Campbell County Judge/Executive
Honorable Jack Snodgrass, Campbell County Clerk
Members of the Campbell County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, and expenditures - regulatory basis of the Campbell County Clerk and the statement of revenues, expenditures, and fund balance of the County Clerk's operating fund and County fund with the State Treasurer - regulatory basis for the year ended December 31, 2006, and have issued our report thereon dated May 3, 2007. The Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing our opinion on the effectiveness of the Campbell County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The County Clerk Should Have Stronger Controls Over Voided Checks

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance And Other Matters

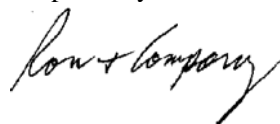
As part of obtaining reasonable assurance about whether the Campbell County Clerk's financial statements for the year ended December 31, 2006, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The County Clerk Should Avoid Paying Sales Taxes

The Campbell County Clerk's responses to the findings identified in our audit are described in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Campbell County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Ross & Company, PLLC
Certified Public Accountants

May 3, 2007

COMMENTS AND RECOMMENDATIONS

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2006

The County Clerk Should Have Stronger Controls Over Voided Checks

During the review of voided checks, auditors noted that several voided checks were not properly defaced. The aforementioned voided checks included signatures, account numbers, etc. We recommend that the Clerk adopt a policy to have better control over voided checks by detaching the signature line and shredding the torn portion before filing to reduce the possibility of misuse.

County Clerk's Response: Will begin this process immediately.

The County Clerk Should Avoid Paying Sales Taxes

During a review of expenditures, it was discovered that in some cases the County Clerk paid sales taxes on several purchases to local vendors. The Clerk's office is a government entity and therefore by law is deemed a tax-free body. We recommend that the County Clerk make every effort to avoid the payment of sales taxes in the future.

County Clerk's Response: Clerk did not comment.

PRIOR YEAR:

None.

